

**BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BONDURANT, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Susan Ugulini	President	2011
Michael McNichols	Vice President	2013
Mike Adams	Board Member	2011
Brad Pfaltzgraff	Board Member	2011
Kristin Swift	Board Member	2013
(After September 2011 election)		
Michael McNichols	President	2013
Kristin Swift	Vice President	2013
Susan Ugulini	Board Member	2015
Tom Looft	Board Member	2015
Christopher P. Freese	Board Member	2015
<u>School Officials</u>		
Peggy Vint	Superintendent	2012
Patricia Artzer	Business Director/Treasurer (resigned November 2011)	2012
Sheila Wenthold	Business Director/Treasurer (appointed November 2011)	2012
Patricia Artzer	Board Secretary	2012
Ahlers & Cooney P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bondurant-Farrar Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bondurant-Farrar Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2013 on our consideration of Bondurant-Farrar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2009, were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 10, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,076,798 in fiscal 2011 to \$13,123,154 in fiscal 2012, while General Fund expenditures also increased from \$10,688,121 in fiscal 2011 to \$12,339,779 in fiscal 2012. This resulted in an increase in the District's fund balance from \$2,309,712 in fiscal 2011 to \$3,094,902 in fiscal 2012. The District's solvency ratio increased from 15.21% in fiscal 2011 to 18.62% in 2012.
- The increase in General Fund revenues was attributable in part to an increase in student enrollment and also in part to an increase in property tax and state sources. The increase in expenditures was due to the increase in negotiated salaries and benefits, the increase in number of students served, the addition of new certified and classified staff, and furnishing the additions to the middle school and high school.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bondurant-Farrar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bondurant-Farrar Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bondurant-Farrar Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relates to one another.

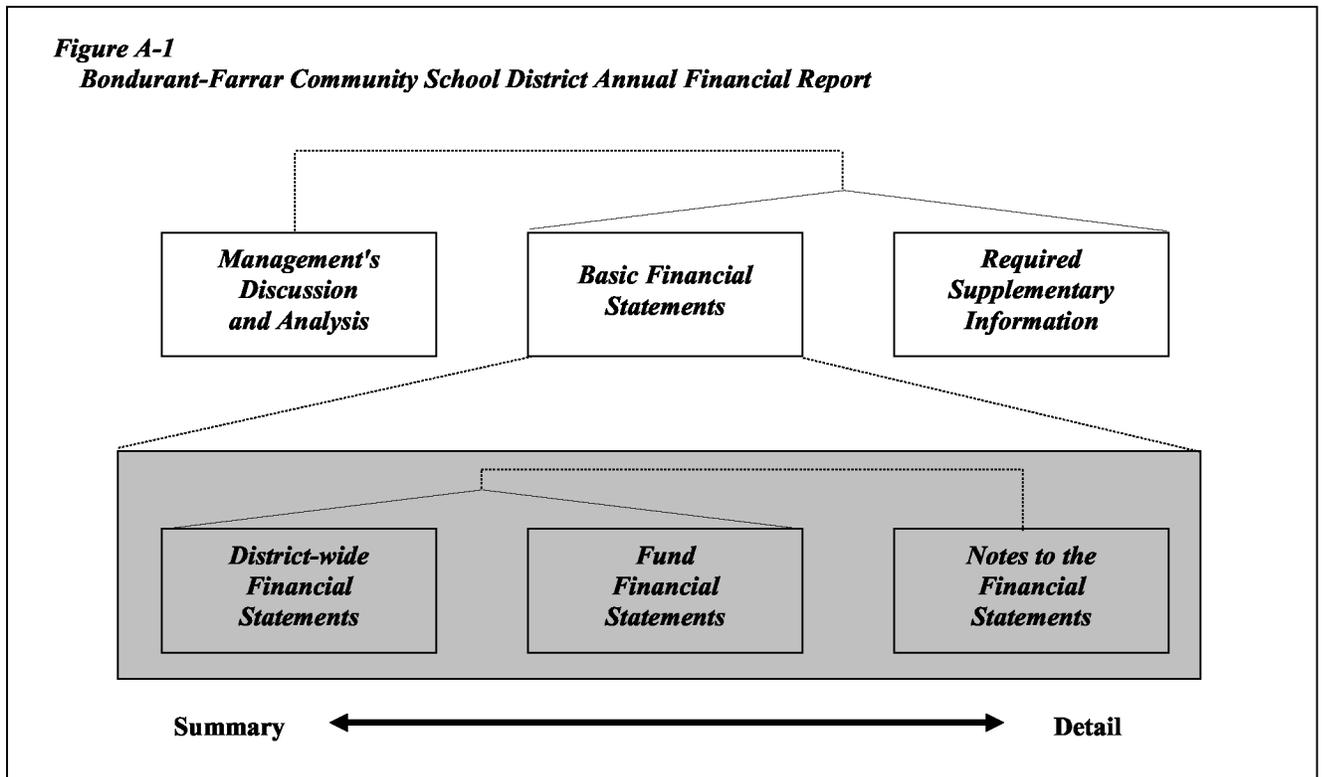


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the reporting year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund, and one Internal Service Fund, the Flex Spending Fund.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to fiscal year 2011.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Current and other assets	13,545,438	12,835,060	448,921	400,565	13,994,359	13,235,625	5.70%
Capital assets	24,335,935	21,390,935	249,988	240,544	24,585,923	21,631,479	13.70%
Total assets	<u>37,881,373</u>	<u>34,225,995</u>	<u>698,909</u>	<u>641,109</u>	<u>38,580,282</u>	<u>34,867,104</u>	10.60%
Long-term liabilities	11,074,410	11,554,058	0	0	11,074,410	11,554,058	-4.15%
Other liabilities	6,897,722	6,572,421	43,948	62,103	6,941,670	6,634,524	4.63%
Total liabilities	<u>17,972,132</u>	<u>18,126,479</u>	<u>43,948</u>	<u>62,103</u>	<u>18,016,080</u>	<u>18,188,582</u>	-0.90%
Net assets:							
Invested in capital assets, net of related debt	13,775,935	10,210,935	249,988	240,544	14,025,923	10,451,479	34.20%
Restricted	3,837,247	4,222,127	0	0	3,837,247	4,222,127	-9.10%
Unrestricted	2,296,009	1,666,454	404,973	338,462	2,700,982	2,004,916	34.70%
Total net assets	<u>19,909,191</u>	<u>16,099,516</u>	<u>654,961</u>	<u>579,006</u>	<u>20,564,152</u>	<u>16,678,522</u>	23.30%

The District's combined net assets at June 30, 2012 compared to fiscal year 2011 are listed in Figure A-3. The District's combined net assets increased 23% to \$20,564,152. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restriction, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to fiscal year 2011.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total District	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for service	1,416,768	1,201,999	1,014,534	712,131	2,431,302	1,914,130
Operating grants, contributions and restricted interest	1,882,584	1,866,113	245,454	209,686	2,128,038	2,075,799
Capital grants, contributions and restricted interest	1,703,554	137,389	0	154,670	1,703,554	292,059
General revenues:						
Property tax	4,838,132	4,530,171	0	0	4,838,132	4,530,171
Local option sales&service tax	1,123,632	1,143,037	0	0	1,123,632	1,143,037
Income surtax	189,658	183,807	0	0	189,658	183,807
Unrestricted state grants	6,422,985	5,750,473	0	0	6,422,985	5,750,473
Unrestricted investment earning	3,754	54,730	174	288	3,928	55,018
Other	179,608	97,587	0	0	179,608	97,587
Loss on disposal of assets	0	-10,621	0	0	0	-10,621
Total revenues	17,760,675	14,954,685	1,260,162	1,076,775	19,020,837	16,031,460
Program expenses:						
Governmental activities:						
Instruction	8,219,865	7,210,116	515,873	242,238	8,735,738	7,452,354
Support services	4,276,596	3,677,269	5,345	7,480	4,281,941	3,684,749
Non-instructional program	5,950	0	662,989	605,206	668,939	605,206
Other expenses	1,448,589	1,829,331	0	0	1,448,589	1,829,331
Total expenses	13,951,000	12,716,716	1,184,207	854,924	15,135,207	13,571,640
Change in net assets	3,809,675	2,237,969	75,955	221,851	3,885,630	2,459,820

Governmental Activities

Revenues for governmental activities were \$17,760,675 and expenses were \$13,951,000.

Property tax and unrestricted state grants account for 63% of total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	8,219,865	5,500,811
Support Services	4,276,596	4,182,355
Non-instructional programs	5,950	5,950
Other expenses	1,448,589	-741,022
Totals:	13,951,000	8,948,094

- The cost financed by users of the District's programs was \$1,146,768.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$1,882,584 and capital grants and contributions totaling \$1,703,554.
- The net cost of governmental activities was financed in part with \$4,838,132 in property tax, \$1,123,632 in local option sales and services tax, \$189,658 in Income Surtax, \$6,422,985 in unrestricted state grants, \$3,754 in interest income, and \$179,608 in miscellaneous sources.

Business-Type Activities

Revenues of the District's business-type activities were \$1,260,162 and expenses were \$1,184,207. The District's business-type activities include the School Nutrition Fund and Construction Class. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Bondurant-Farrar Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,504,784 compared to \$6,124,102 in Fiscal Year 2011. The General Fund balance for Fiscal Year 2012 was \$3,094,902 compared to \$2,309,712 for Fiscal Year 2011.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The General Fund balance improved due in part to the commitment of District officials to continue cost control measures.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$451,805 to \$517,609, representing an increase of 15%. This increase resulted from increased revenues, mainly due to growth in the participation of the District's nutrition program, in excess of certain expenditures. The District plans to expend a portion of the fund balance on equipment needs in the coming years.
- The Construction Class Fund net assets increased from \$127,201 to \$137,352.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of FY2012, the District amended its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison as presented in the required supplemental information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were \$97,886 more than the total budgeted receipts, a variance of .52% percent. The variance was due to an increase in local sources of revenue.

Total expenditures were \$69,767 less than budgeted due primarily to the District's control of expenditures. It is the District's practice to budget expenditures at or near the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the District had invested \$24,585,923, net of accumulated depreciation of \$8,856,730, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year totaled \$733,968.

The original cost of the District's capital assets was \$33,442,653. Governmental activities account for \$32,902,412, leaving \$540,241 in the business activities.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities	Business Type Activities	Total District
Land	507,375	0	507,375
Construction in progress	3,503,883	0	3,503,883
Buildings	19,148,346	0	19,148,346
Improvements other than buildings	109,277	0	109,277
Furniture and equipment	1,067,054	249,988	1,317,042
Totals	24,335,935	249,988	24,585,923

Long-Term Liabilities

At June 30, 2012, the District had \$11,074,410 in general obligation and other long-term liabilities outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District 2012
General obligation bonds	8,940,000
Local option sales and service tax revenue bonds	0
Capital loan notes	1,620,000
Early retirement	169,449
Net OPEB liability	344,961
Total:	11,074,410

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- With the District's current financial challenges, the general state of the economy is of large concern for the District as state budget cuts appear possible, shifting funding to property taxes and other revenue sources. The District will continue to explore all opportunities to reduce expenditures and/or increase revenues.
- Due to the District's location in the metro area and continued growth, enrollment increased 4.70%, 4.57%, and 8.23% over the last three years. Current projections predict continued growth in the District. State funding will continue to be an important subject of interest in future years due to the uncertainty of the state aid formula and special programs.
- Many factors continue to be a concern for the District including the fluctuation in prices of gas, diesel, and natural gas.
- With 69% of the General Fund expenditures consisting of salaries and benefits, the increasing cost of salaries, benefits, health costs, and IPERS continue to be a major concern.
- Along with the addition of a new K-2 facility, naturally comes additional expenses for the operation of the new building, additional staff, supplies, equipment, etc., which are all General Fund expenditures.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sheila Wenthold, Business Manager, Bondurant-Farrar Community School District, 300 Garfield Street SW, Bondurant, IA 50035.

Basic Financial Statements

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 6,945,800	\$ 436,944	\$ 7,382,744
Receivables:			
Property tax:			
Current year	46,593	-	46,593
Succeeding year	4,872,652	-	4,872,652
Income surtax	178,223	-	178,223
Accounts	22,706	909	23,615
Due from other governments	1,479,464	-	1,479,464
Inventories	-	11,068	11,068
Capital assets, net of accumulated depreciation (note 5)	24,335,935	249,988	24,585,923
Total assets	37,881,373	698,909	38,580,282
Liabilities			
Accounts payable	897,391	24,445	921,836
Salaries and benefits payable	1,050,037	8,341	1,058,378
Early retirement (note 6)	6,459	-	6,459
Accrued interest payable	35,481	-	35,481
Deferred revenue:			
Succeeding year property tax	4,872,652	-	4,872,652
Other	35,752	11,162	46,914
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	42,969	-	42,969
Bonds payable	385,000	-	385,000
Notes payable	255,000	-	255,000
Portion due after one year:			
Early retirement	126,480	-	126,480
Bonds payable	8,555,000	-	8,555,000
Notes payable	1,365,000	-	1,365,000
Net OPEB liability	344,961	-	344,961
Total liabilities	17,972,182	43,948	18,016,130

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 13,775,935	\$ 249,988	\$ 14,025,923
Restricted for:			
Categorical funding (note 11)	460,488	-	460,488
Physical plant and equipment levy purposes	173,536	-	173,536
Student activities	101,509	-	101,509
Debt service	29,157	-	29,157
Capital projects	3,072,557	-	3,072,557
Unrestricted	<u>2,296,009</u>	<u>404,973</u>	<u>2,700,982</u>
Total net assets	<u>\$ 19,909,191</u>	<u>\$ 654,961</u>	<u>\$ 20,564,152</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,307,605	\$ 674,429	\$ 1,234,213	\$ -
Special instruction	1,399,664	309,300	142,011	-
Other instruction	1,512,596	341,205	17,896	-
	<u>8,219,865</u>	<u>1,324,934</u>	<u>1,394,120</u>	<u>-</u>
Support services:				
Student services	360,689	-	-	-
Instructional staff services	742,355	-	-	-
Administration services	1,198,585	24,264	-	-
Operation and maintenance of plant services	1,437,037	40,265	-	-
Transportation services	537,930	27,305	2,407	-
	<u>4,276,596</u>	<u>91,834</u>	<u>2,407</u>	<u>-</u>
Non-instructional programs	<u>5,950</u>	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	1,703,554
Long-term debt interest and fiscal charges	444,850	-	-	-
AEA flowthrough	486,057	-	486,057	-
Depreciation (unallocated)*	517,682	-	-	-
	<u>1,448,589</u>	<u>-</u>	<u>486,057</u>	<u>1,703,554</u>
Total governmental activities	<u>13,951,000</u>	<u>1,416,768</u>	<u>1,882,584</u>	<u>1,703,554</u>
Business-Type Activities:				
Instruction:				
Construction class	<u>515,873</u>	<u>526,024</u>	-	-
Support services:				
Operation and maintenance of plant services	<u>5,345</u>	-	-	-

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (3,398,963)	\$ -	\$ (3,398,963)
(948,353)	-	(948,353)
(1,153,495)	-	(1,153,495)
<u>(5,500,811)</u>	<u>-</u>	<u>(5,500,811)</u>
(360,689)	-	(360,689)
(742,355)	-	(742,355)
(1,174,321)	-	(1,174,321)
(1,396,772)	-	(1,396,772)
(508,218)	-	(508,218)
<u>(4,182,355)</u>	<u>-</u>	<u>(4,182,355)</u>
<u>(5,950)</u>	<u>-</u>	<u>(5,950)</u>
1,703,554	-	1,703,554
(444,850)	-	(444,850)
-	-	-
(517,682)	-	(517,682)
<u>741,022</u>	<u>-</u>	<u>741,022</u>
<u>(8,948,094)</u>	<u>-</u>	<u>(8,948,094)</u>
<u>-</u>	<u>10,151</u>	<u>10,151</u>
<u>-</u>	<u>(5,345)</u>	<u>(5,345)</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities:				
Non-instructional programs:				
Food service operations	\$ 662,989	\$ 488,510	\$ 245,454	\$ -
Total business-type activities	<u>1,184,207</u>	<u>1,014,534</u>	<u>245,454</u>	<u>-</u>
Total	<u>\$ 15,135,207</u>	<u>\$ 2,431,302</u>	<u>\$ 2,128,038</u>	<u>\$ 1,703,554</u>

General revenues:

- Property tax levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state and federal grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 70,975	\$ 70,975
-	75,781	75,781
(8,948,094)	75,781	(8,872,313)
\$ 3,613,136	\$ -	\$ 3,613,136
763,591	-	763,591
461,405	-	461,405
189,658	-	189,658
1,123,632	-	1,123,632
6,422,985	-	6,422,985
3,754	174	3,928
179,608	-	179,608
12,757,769	174	12,757,943
3,809,675	75,955	3,885,630
16,099,516	579,006	16,678,522
\$ 19,909,191	\$ 654,961	\$ 20,564,152

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,237,703	\$ 57,578	\$ 2,581,338	\$ 69,041	\$ 6,945,660
Receivables:					
Property tax:					
Current year	33,311	7,060	4,266	1,956	46,593
Succeeding year	2,957,344	1,143,385	471,923	300,000	4,872,652
Income surtax	178,223	-	-	-	178,223
Interfund receivable (note 3)	-	-	-	38,168	38,168
Accounts	3,785	-	-	18,921	22,706
Due from other governments	377,672	-	1,101,792	-	1,479,464
Total assets	<u>\$ 7,788,038</u>	<u>\$ 1,208,023</u>	<u>\$ 4,159,319</u>	<u>\$ 428,086</u>	<u>\$ 13,583,466</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 453,606	\$ -	\$ 421,309	\$ 22,476	\$ 897,391
Salaries and benefits payable	1,050,037	-	-	-	1,050,037
Interfund payable (note 3)	18,174	-	19,994	-	38,168
Deferred revenue:					
Succeeding year property tax	2,957,344	1,143,385	471,923	300,000	4,872,652
Other	213,975	-	-	-	213,975
Early retirement payable (note 6)	-	-	-	6,459	6,459
Total liabilities	4,693,136	1,143,385	913,226	328,935	7,078,682
Fund balances:					
Restricted for:					
Categorical funding (note 11)	460,488	-	-	-	460,488
Debt service	-	64,638	-	-	64,638
Student activities	-	-	-	101,509	101,509
Capital projects	-	-	1,060,372	-	1,060,372
School infrastructure	-	-	2,012,185	-	2,012,185
Physical plant and equipment	-	-	173,536	-	173,536
Committed:					
Bus purchase	80,438	-	-	-	80,438
Furniture/equipment purchases	110,000	-	-	-	110,000
Unassigned	2,443,976	-	-	(2,358)	2,441,618
Total fund balances	3,094,902	64,638	3,246,093	99,151	6,504,784
Total liabilities and fund balances	\$ 7,788,038	\$ 1,208,023	\$ 4,159,319	\$ 428,086	\$ 13,583,466

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 6,504,784
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	24,335,935
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	178,223
The Internal Service Fund net assets are included with the Governmental Activities in the government-wide financial statements due to the integral nature of the activities.	140
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(35,481)
Long-term liabilities, including early retirement, bonds and notes payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,074,410)</u>
Net assets of governmental activities	<u>\$ 19,909,191</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,597,263	\$ 763,360	\$ 1,584,898	\$ 200,339	\$ 6,145,860
Tuition	821,359	-	-	-	821,359
Other	312,102	-	1,491	377,658	691,251
State sources	7,717,404	231	200,421	68	7,918,124
Federal sources	675,026	-	1,503,273	-	2,178,299
Total revenues	<u>13,123,154</u>	<u>763,591</u>	<u>3,290,083</u>	<u>578,065</u>	<u>17,754,893</u>
Expenditures:					
Current:					
Instruction	<u>7,719,875</u>	-	-	343,727	8,063,602
Support services:					
Student services	357,554	-	-	-	357,554
Instructional staff services	782,534	-	-	-	782,534
Administration services	1,133,607	-	-	75,648	1,209,255
Operation and maintenance of plant services	1,284,342	-	-	137,581	1,421,923
Transportation services	575,810	-	-	41,533	617,343
	<u>4,133,847</u>	-	-	254,762	4,388,609
Other expenditures:					
Facilities acquisition	-	-	3,371,310	-	3,371,310
Long term debt:					
Principal	-	620,000	-	-	620,000
Interest and fiscal charges	-	446,448	-	-	446,448
AEA flowthrough	486,057	-	-	-	486,057
	<u>486,057</u>	<u>1,066,448</u>	<u>3,371,310</u>	-	<u>4,923,815</u>
Total expenditures	<u>12,339,779</u>	<u>1,066,448</u>	<u>3,371,310</u>	<u>598,489</u>	<u>17,376,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>783,375</u>	<u>(302,857)</u>	<u>(81,227)</u>	<u>(20,424)</u>	<u>378,867</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 1,201	\$ -	\$ -	\$ -	\$ 1,201
Compensation for loss of capital assets	614	-	-	-	614
Interfund transfers in (note 4)	-	303,393	-	-	303,393
Interfund transfers out (note 4)	-	-	(303,393)	-	(303,393)
Total other financing sources (uses)	<u>1,815</u>	<u>303,393</u>	<u>(303,393)</u>	<u>-</u>	<u>1,815</u>
Net change in fund balances	785,190	536	(384,620)	(20,424)	380,682
Fund balances beginning of year	<u>2,309,712</u>	<u>64,102</u>	<u>3,630,713</u>	<u>119,575</u>	<u>6,124,102</u>
Fund balances end of year	<u>\$ 3,094,902</u>	<u>\$ 64,638</u>	<u>\$ 3,246,093</u>	<u>\$ 99,151</u>	<u>\$ 6,504,784</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 380,682

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Expenditures for capital assets	\$ 3,643,581	
	Depreciation expense	<u>(698,581)</u>	2,945,000

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 3,967

The decrease in net assets of the Internal Service Fund represents an undercharge to the governmental funds and is therefore adjusted out of governmental activities. (1,220)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 620,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,598

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

	Early retirement	(11,474)	
	Net OPEB liability	<u>(128,878)</u>	<u>(140,352)</u>

Change in net assets of governmental activities \$ 3,809,675

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Enterprise Funds			Internal Service Fund
	School Nutrition	Nonmajor Enterprise	Total	
Assets				
Cash and cash equivalents	\$ 294,914	\$ 142,030	\$ 436,944	\$ 140
Receivables:				
Accounts	909	-	909	-
Inventories	11,068	-	11,068	-
Capital assets, net of accumulated depreciation (note 5)	249,988	-	249,988	-
Total assets	<u>556,879</u>	<u>142,030</u>	<u>698,909</u>	<u>140</u>
Liabilities				
Accounts payable	19,767	4,678	24,445	-
Salaries and benefits payable	8,341	-	8,341	-
Deferred revenue	11,162	-	11,162	-
Total liabilities	<u>39,270</u>	<u>4,678</u>	<u>43,948</u>	<u>-</u>
Net Assets				
Invested in capital assets	249,988	-	249,988	-
Unrestricted	267,621	137,352	404,973	140
Total net assets	<u>\$ 517,609</u>	<u>\$ 137,352</u>	<u>\$ 654,961</u>	<u>\$ 140</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds		Total	Internal Service Fund
	School Nutrition	Nonmajor Enterprise		
Operating revenues:				
Local sources:				
Charges for services	\$ 488,510	\$ 526,024	\$ 1,014,534	\$ 55,360
Operating expenses:				
Instruction:				
Other instruction:				
Purchased services	-	231,295	231,295	-
Supplies	-	284,578	284,578	-
	-	515,873	515,873	-
Support services:				
Purchased services	5,345	-	5,345	56,580
Non-instructional programs:				
Food service operations:				
Salaries	211,973	-	211,973	-
Benefits	48,019	-	48,019	-
Purchased services	16,960	-	16,960	-
Supplies	350,650	-	350,650	-
Depreciation	35,387	-	35,387	-
	662,989	-	662,989	-
Total non-operating revenues	668,334	515,873	1,184,207	56,580
Operating income (loss)	(179,824)	10,151	(169,673)	(1,220)
Non-operating revenues:				
Interest on investments	174	-	174	-
State sources	6,280	-	6,280	-
Federal sources	239,174	-	239,174	-
Total non-operating revenues	245,628	-	245,628	-
Change in net assets	65,804	10,151	75,955	(1,220)
Net assets beginning of year	451,805	127,201	579,006	1,360
Net assets end of year	\$ 517,609	\$ 137,352	\$ 654,961	\$ 140

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds		Total	Internal Service Fund
	School Nutrition	Nonmajor Enterprise		
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 483,662	\$ -	\$ 483,662	\$ -
Cash received from miscellaneous operating activities	5,607	523,024	528,631	55,360
Cash payments to employees for services	(259,930)	-	(259,930)	-
Cash payments to suppliers for goods or services	(311,360)	(309,545)	(620,905)	(56,580)
Net cash provided by (used by) operating activities	(82,021)	213,479	131,458	(1,220)
Cash flows from non-capital financing activities:				
(Decrease) in due to other funds	-	(71,449)	(71,449)	-
State grants received	6,280	-	6,280	-
Federal grants received	192,750	-	192,750	-
Net cash provided by (used by) non-capital financing activities	199,030	(71,449)	127,581	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(44,831)	-	(44,831)	-
Cash flows from investing activities:				
Interest on investments	174	-	174	-
Net increase (decrease) in cash and cash equivalents	72,352	142,030	214,382	(1,220)
Cash and cash equivalents beginning of year	222,562	-	222,562	1,360
Cash and cash equivalents end of year	\$ 294,914	\$ 142,030	\$ 436,944	\$ 140

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds		Total	Internal Service Fund
	School Nutrition	Nonmajor Enterprise		
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (179,824)	\$ 10,151	\$ (169,673)	\$ (1,220)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	46,424	-	46,424	-
Depreciation	35,387	-	35,387	-
(Increase) decrease in inventories	(841)	238,500	237,659	-
(Increase) in accounts receivable	(184)	-	(184)	-
Increase (decrease) in accounts payable	16,012	(32,172)	(16,160)	-
Increase in salaries and benefits payable	62	-	62	-
Increase (decrease) in deferred revenue	943	(3,000)	(2,057)	-
Net cash provided by (used by) operating activities	\$ <u>(82,021)</u>	\$ <u>213,479</u>	\$ <u>131,458</u>	\$ <u>(1,220)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$46,424 of federal commodities.

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Bondurant and Farrar, Iowa, and agricultural territory in Polk and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bondurant-Farrar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Bondurant-Farrar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk and Jasper County Assessors' Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports the nonmajor Enterprise, Construction Class Fund, which is used to account for the construction of houses within the District for educational purposes, and the Internal Service Fund, Flex Plan which is used to account for Internal Revenue Service section 125 flexible benefits program.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that these transactions between funds had not been paid or received as of June 30, 2012.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unearned grant proceeds, the succeeding year property tax receivable and unearned meal revenues.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned grant revenues and unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the District-wide financial statements. The District had no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts the Board of Education set aside by formal action to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>6,267,285</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 3. Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue, Student Activity	General	\$ 18,174
	Capital Projects	19,994
Total		\$ 38,168

The amounts due to the Special Revenue Fund, Student Activity from the General and Capital Projects Funds are the results of transactions which had not yet been repaid at year end.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 303,393

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>		<u>Balance End of Year</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 507,375	\$ -	\$ -		\$ 507,375
Construction in progress	132,573	3,371,310	-		3,503,883
Total capital assets not being depreciated	<u>639,948</u>	<u>3,371,310</u>	<u>-</u>		<u>4,011,258</u>
Capital assets being depreciated:					
Buildings	24,485,111	-	-		24,485,111
Improvements other than buildings	678,082	-	-		678,082
Furniture and equipment	3,455,690	272,271	-		3,727,961
Total capital assets being depreciated	<u>28,618,883</u>	<u>272,271</u>	<u>-</u>		<u>28,891,154</u>
Less accumulated depreciation for:					
Buildings	4,850,017	486,748	-		5,336,765
Improvements other than buildings	551,287	17,518	-		568,805
Furniture and equipment	2,466,592	194,315	-		2,660,907
Total accumulated depreciation	<u>7,867,896</u>	<u>698,581</u>	<u>-</u>		<u>8,566,477</u>
Total capital assets being depreciated, net	<u>20,750,987</u>	<u>(426,310)</u>	<u>-</u>		<u>20,324,677</u>
Governmental activities capital assets, net	<u>\$ 21,390,935</u>	<u>\$ 2,945,000</u>	<u>\$ -</u>		<u>\$ 24,335,935</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>		<u>Balance End of Year</u>
Business-type activities:					
Furniture and equipment	\$ 495,410	\$ 44,831	\$ -		\$ 540,241
Less accumulated depreciation	254,866	35,387	-		290,253
Business-type activities capital assets, net	<u>\$ 240,544</u>	<u>\$ 9,444</u>	<u>\$ -</u>		<u>\$ 249,988</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 71,959
Other	22,100

Support services:

Instructional staff	1,829
Administration	211
Operation and maintenance of plant services	6,722
Transportation	<u>78,078</u>

180,899

Unallocated depreciation

517,682

Total governmental activities depreciation expense

\$ 698,581

Business-type activities:

Food service operations	\$ <u><u>35,387</u></u>
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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 157,975	\$ 66,500	\$ 55,026	\$ 169,449	\$ 42,969
General obligation bonds	9,310,000	-	370,000	8,940,000	385,000
Notes payable	1,870,000	-	250,000	1,620,000	255,000
Net OPEB liability	216,083	128,878	-	344,961	-
Total	\$ 11,554,058	\$ 195,378	\$ 675,026	\$ 11,074,410	\$ 682,969

Early Retirement

The District occasionally offers a voluntary early retirement plan to all employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District (excluding any years the employee was a substitute teacher). Employees must complete an application which is required to be approved by the Board of Education.

An employee granted early retirement will receive a stipend equal to \$3,000 less lawful deductions. For the 2011-2012 contract year employees who are not full-time employees are not eligible for the stipend. An employee granted early retirement may elect to continue participation in the District's group health insurance plan subject to approval of the carrier and in accordance with Iowa law. The employee must have been a participant in the District's group health insurance plan. The District will continue to pay up to \$350 per month towards the premium for single coverage until the employee is eligible for Medicare or Medicaid for any reason, becomes covered by another employer provided group health insurance plan, dies, or fails to pay the balance of the premium due for coverage.

At June 30, 2012, the District had obligations to eleven participants with a total liability of \$169,449. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$55,026. The \$6,459 cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2008			Issue dated December 1, 2007			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2013	4.10 %	\$ 185,000	\$ 370,185	3.60 %	\$ 200,000	\$ 7,200	\$ 385,000	\$ 377,385
2014	4.10	400,000	362,600	-	-	-	400,000	362,600
2015	4.10	420,000	346,200	-	-	-	420,000	346,200
2016	4.10	440,000	328,980	-	-	-	440,000	328,980
2017	4.10	465,000	310,940	-	-	-	465,000	310,940
2018-2022	4.10	2,680,000	1,249,455	-	-	-	2,680,000	1,249,455
2023-2027	4.10-4.60	3,370,000	642,145	-	-	-	3,370,000	642,145
2028	4.70	780,000	36,660	-	-	-	780,000	36,660
		<u>\$ 8,740,000</u>	<u>\$ 3,647,165</u>		<u>\$ 200,000</u>	<u>\$ 7,200</u>	<u>\$ 8,940,000</u>	<u>\$ 3,654,365</u>

Capital Loan Notes

Details of the District's June 30, 2012 capital loan notes indebtedness is as follows:

Year Ending June 30,	Issue dated June 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	2.25 %	\$ 255,000	\$ 48,392	\$ 303,392
2014	2.60	260,000	42,655	302,655
2015	2.80	265,000	35,895	300,895
2016	3.10	270,000	28,475	298,475
2017	3.40	280,000	20,105	300,105
2018	3.65	290,000	10,585	300,585
		<u>\$ 1,620,000</u>	<u>\$ 186,107</u>	<u>\$ 1,806,107</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	196,586
Interest on net OPEB obligation		5,102
Adjustment to annual required contribution		17,485
Annual OPEB cost		184,203
Contributions made		55,325
Increase in net OPEB obligation		128,878
Net OPEB obligation beginning of year		216,083
Net OPEB obligation end of year	\$	344,961

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$55,325 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 184,203	30.0%	\$ 344,961

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,073,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,073,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,448,000, and the ratio of the UAAL to covered payroll was 14.4%. As of June 30, 2012, there were no trust fund assets.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 on a 2/3 female, 1/3 male basis.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$590,443, \$459,632, and \$402,330, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Bondurant-Farrar Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$486,057 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Returning dropouts and dropout prevention	\$ 162,236
4-year old preschool program	125,768
Professional development for model core curriculum	64,415
Statewide voluntary preschool program	58,007
Talented and gifted program	23,371
At-risk program	18,480
Professional development	5,875
Home school assistance program	2,336
Total	\$ 460,488

Note 12. The Management Levy Special Revenue Fund within the nonmajor governmental funds had a deficit unassigned fund balance of \$2,358 at June 30, 2012.

Note 13. Construction Commitments

The District has entered into various contracts totaling \$3,523,161 for tornado safe rooms. As of June 30, 2012, costs of \$3,108,677 had been incurred against the contracts. The balance of \$414,484 remaining at June 30, 2012 will be paid as work on the projects progresses.

Note 14. Subsequent Event

In December, 2012 the District closed on the purchase of 42 acres of land for \$655,000.

Required Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 7,658,470	\$ 1,014,708	\$ 8,673,178	\$ 8,013,378	\$ 8,013,378	\$ 659,800
State sources	7,918,124	6,280	7,924,404	7,824,213	7,824,213	100,191
Federal sources	2,178,299	239,174	2,417,473	3,079,578	3,079,578	(662,105)
Total revenues	17,754,893	1,260,162	19,015,055	18,917,169	18,917,169	97,886
EXPENDITURES/EXPENSES:						
Instruction	8,063,602	515,873	8,579,475	7,775,000	7,775,000	(804,475)
Support services	4,388,609	5,345	4,393,954	3,840,000	4,790,000	396,046
Non-instructional programs	-	662,989	662,989	765,000	765,000	102,011
Other expenditures	4,923,815	-	4,923,815	4,553,863	5,300,000	376,185
Total expenditures/expenses	17,376,026	1,184,207	18,560,233	16,933,863	18,630,000	69,767
Excess (deficiency) of revenues over (under) expenditures/ expenses	378,867	75,955	454,822	1,983,306	287,169	167,653
Other financing sources, net	1,815	-	1,815	-	-	1,815
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	380,682	75,955	456,637	1,983,306	287,169	169,468
Balance beginning of year	6,124,102	579,006	6,703,108	7,111,626	7,111,626	(408,518)
Balance end of year	<u>\$ 6,504,784</u>	<u>\$ 654,961</u>	<u>\$ 7,159,745</u>	<u>\$ 9,094,932</u>	<u>\$ 7,398,795</u>	<u>\$ (239,050)</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,696,137.

During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2012

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 1,073	\$ 1,073	0.0%	\$ 6,230	17.2%
2011	July 1, 2009	-	1,073	1,073	0.0%	6,718	16.0%
2012	July 1, 2009	-	1,073	1,073	0.0%	7,448	14.4%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 3,375	\$ 65,666	\$ 69,041
Receivables:			
Property tax:			
Current year	1,956	-	1,956
Succeeding year	300,000	-	300,000
Interfund receivable	-	38,168	38,168
Accounts	-	18,921	18,921
Total assets	<u>\$ 305,331</u>	<u>\$ 122,755</u>	<u>\$ 428,086</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,230	\$ 21,246	\$ 22,476
Deferred revenue:			
Succeeding year property tax	300,000	-	300,000
Early retirement payable	6,459	-	6,459
Total liabilities	<u>307,689</u>	<u>21,246</u>	<u>328,935</u>
Fund balances:			
Restricted for:			
Management levy purposes	-	101,509	101,509
Unassigned	(2,358)	-	(2,358)
Total fund balances	<u>(2,358)</u>	<u>101,509</u>	<u>99,151</u>
Total liabilities and fund balances	<u>\$ 305,331</u>	<u>\$ 122,755</u>	<u>\$ 428,086</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Revenues:			
Local sources:			
Local tax	\$ 200,339	\$ -	\$ 200,339
Other	36,289	341,369	377,658
State sources	68	-	68
Total revenues	<u>236,696</u>	<u>341,369</u>	<u>578,065</u>
Expenditures:			
Current:			
Instruction	12,102	331,625	343,727
Support services:			
Administration services	75,648	-	75,648
Operation and maintenance of plant services	137,581	-	137,581
Transportation services	41,533	-	41,533
Total expenditures	<u>266,864</u>	<u>331,625</u>	<u>598,489</u>
Excess (deficiency) of revenues over (under) expenditures	(30,168)	9,744	(20,424)
Fund balances beginning of year	<u>27,810</u>	<u>91,765</u>	<u>119,575</u>
Fund balances end of year	<u>\$ (2,358)</u>	<u>\$ 101,509</u>	<u>\$ 99,151</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 1,832,987	\$ 169,270	\$ 579,081	\$ 2,581,338
Receivables:				
Property tax:				
Current year	-	4,266	-	4,266
Succeeding year	-	471,923	-	471,923
Due from other governments	179,198	-	922,594	1,101,792
	<u>\$ 2,012,185</u>	<u>\$ 645,459</u>	<u>\$ 1,501,675</u>	<u>\$ 4,159,319</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 421,309	\$ 421,309
Interfund payable	-	-	19,994	19,994
Deferred revenue:				
Succeeding year property tax	-	471,923	-	471,923
Total liabilities	<u>-</u>	<u>471,923</u>	<u>441,303</u>	<u>913,226</u>
Fund balances:				
Restricted for:				
Capital projects	-	-	1,060,372	1,060,372
School infrastructure	2,012,185	-	-	2,012,185
Physical plant and equipment	-	173,536	-	173,536
Total fund balances	<u>2,012,185</u>	<u>173,536</u>	<u>1,060,372</u>	<u>3,246,093</u>
Total liabilities and fund balances	<u>\$ 2,012,185</u>	<u>\$ 645,459</u>	<u>\$ 1,501,675</u>	<u>\$ 4,159,319</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,123,632	\$ 461,266	\$ -	\$ 1,584,898
Other	1,076	284	131	1,491
State sources	-	140	200,281	200,421
Federal sources	-	-	1,503,273	1,503,273
Total revenues	1,124,708	461,690	1,703,685	3,290,083
Expenditures:				
Current:				
Other expenditures:				
Facilities acquisition	-	-	3,371,310	3,371,310
Total expenditures	-	-	3,371,310	3,371,310
Excess (deficiency) of revenues over (under) expenditures	1,124,708	461,690	(1,667,625)	(81,227)
Other financing sources (uses):				
Operating transfers in	-	-	2,627,000	2,627,000
Operating transfers out	(2,627,000)	(303,393)	-	(2,930,393)
Total other financing sources (uses)	(2,627,000)	(303,393)	2,627,000	(303,393)
Net change in fund balances	(1,502,292)	158,297	959,375	(384,620)
Fund balances beginning of year	3,514,477	15,239	100,997	3,630,713
Fund balances end of year	\$ 2,012,185	\$ 173,536	\$ 1,060,372	\$ 3,246,093

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 2,695	\$ 2,720	\$ 2,138	\$ 3,277
HS Play	3,453	2,767	2,075	4,145
Speech	-	1,926	1,926	-
Vocal Music	1,870	47,426	45,686	3,610
Instrumental Music	-	14,005	14,005	-
Cross Country	76	1,559	1,635	-
Cheerleaders	839	16,168	10,203	6,804
Jayz Danz Drill Team	352	-	-	352
Basketball	3,566	-	3,566	-
Volleyball	3,816	-	3,816	-
Football	5,476	9,764	15,240	-
Soccer	-	3,535	3,535	-
Baseball	-	9,797	9,797	-
Track	4,792	83	4,875	-
Golf	-	300	300	-
Wrestling	3,241	1,265	4,506	-
Softball	-	12,211	12,211	-
General Athletics - HS	-	93,280	87,068	6,212
Class of 2011	3,579	-	-	3,579
Class of 2014	780	-	105	675
Prom Account	1,966	3,175	3,448	1,693
Farrar Carnival	1,102	-	-	1,102
High School Students in Need	1,031	-	-	1,031
Jump Rope for Heart	1,951	617	617	1,951
3rd Grade Bubble Account	1,666	582	406	1,842
Springbrook	-	325	325	-
Yearbook - HS	155	5,721	3,103	2,773
Art Club	4,724	1,235	2,890	3,069
Industrial Tech - Donations	3	-	-	3
Club Hola	7,963	7,238	4,451	10,750
FCCLA	127	2,133	2,101	159
Student Council	1,224	10,336	9,045	2,515
Middle School Student Council	3,177	1,475	3,686	966
General Activity - HS	217	1,600	1,425	392
Middle School Vocal Music	3,753	1,024	3,350	1,427
Boys Basketball Camp	-	18,028	12,053	5,975
Volleyball Camp	1,931	7,823	7,972	1,782
Football Camp	1,924	20,943	16,331	6,536

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Soccer Camp	\$ -	\$ 5,900	\$ 5,900	\$ -
Baseball Camp	889	9,899	8,721	2,067
Track Camp	-	3,545	2,815	730
Golf Camp	-	384	224	160
Wrestling Camp	4,134	1,899	6,033	-
Girls Basketball Camp	-	3,913	2,290	1,623
Elementary Students in Need	3,968	-	-	3,968
Elementary Yearbook	3,503	3,698	2,900	4,301
General Activity - Elem	6,036	-	789	5,247
Football Flag	2,583	2,210	666	4,127
Best Rewards	-	1,466	371	1,095
Softball Camp	3,203	6,777	4,409	5,571
Honor Society	-	474	474	-
Swing Choir	-	2,143	2,143	-
	<u>\$ 91,765</u>	<u>\$ 341,369</u>	<u>\$ 331,625</u>	<u>\$ 101,509</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 6,145,860	\$ 5,849,710	\$ 5,347,324	\$ 5,170,202
Tuition	821,359	778,465	605,033	663,116
Other	691,251	598,409	625,768	867,982
Intermediate sources	-	-	-	-
State sources	7,918,124	7,064,590	5,743,746	6,383,061
Federal sources	2,178,299	663,546	871,680	251,757
Total revenues	\$ 17,754,893	\$ 14,954,720	\$ 13,193,551	\$ 13,336,118
Expenditures:				
Instruction	\$ 8,063,602	\$ 7,124,370	\$ 6,470,346	\$ 6,637,404
Support services:				
Student services	357,554	328,199	322,503	279,266
Instructional staff services	782,534	587,698	382,706	366,299
Administration services	1,209,255	1,195,895	1,058,486	1,020,673
Operation and maintenance of plant services	1,421,923	1,147,673	934,173	819,473
Transportation services	617,343	431,316	448,597	313,474
Other	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	3,371,310	1,183,694	6,630,208	6,198,992
Long-term debt:				
Principal	620,000	595,000	1,140,000	895,000
Interest and fiscal charges	446,448	463,690	488,832	473,664
AEA flowthrough	486,057	491,354	459,931	403,005
Total expenditures	\$ 17,376,026	\$ 13,548,889	\$ 18,335,782	\$ 17,407,250

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	4,106,306	\$ 3,971,159	\$ 3,527,309	\$ 3,306,713	\$ 3,161,114
	553,353	546,397	469,489	464,409	536,214
	504,852	550,028	503,821	497,776	341,675
	17,481	-	-	-	-
	5,743,142	5,065,455	4,367,508	3,974,938	3,808,308
	129,774	140,591	132,059	123,261	72,498
\$	<u>11,054,908</u>	<u>10,273,630</u>	<u>9,000,186</u>	<u>8,367,097</u>	<u>7,919,809</u>
\$	6,621,838	\$ 5,956,907	\$ 4,812,198	\$ 4,653,586	\$ 4,448,686
	322,291	438,911	311,523	286,397	247,041
	275,477	271,626	270,701	193,651	175,735
	990,542	986,305	874,871	778,394	736,568
	947,590	952,297	853,039	716,959	854,074
	299,955	363,546	329,050	204,073	218,472
	-	-	-	111,739	141,415
	-	4,743	17,788	-	-
	293,924	93,815	137,668	542,150	3,090
	770,000	795,000	760,000	800,000	755,000
	97,597	129,012	157,668	188,749	221,321
	364,846	330,110	281,153	262,502	256,835
\$	<u>10,984,060</u>	<u>10,322,272</u>	<u>8,805,659</u>	<u>8,738,200</u>	<u>8,058,237</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Foreign Language Assistance	84.293	FY 12	\$ <u>199,670</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	23,754
National School Lunch Program	10.555	FY 12	168,996
National School Lunch Program (non-cash)	10.555	FY 12	<u>46,424</u>
			<u>239,174</u>
U. S. Department of Education: Iowa Department of Education: Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	0720 G FY 11	22,815
Title I Grants to Local Educational Agencies	84.010	0720 G FY 12	23,558
Title I Grants to Local Educational Agencies	84.010	SINA	<u>7,568</u>
			<u>53,941</u>
Safe and Drug-Free Schools and Communities - National Program	84.184	FY 12	<u>2,780</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>4,199</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>9,094</u>
Education Jobs Fund	84.410	FY 11	209,576
Education Jobs Fund	84.410	FY 12	<u>3,635</u>
			<u>213,211</u>
Heartland Area Education Agency: Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 12	65,294
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>17,492</u>
			<u>82,786</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Heartland Area Education Agency (continued):			
Special Education Cluster Programs (continued):			
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>5,284</u>
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	HMGP DR-1763-77-01	<u>1,503,273</u>
Total Indirect			<u>2,113,742</u>
Total			<u>\$ 2,313,412</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Bondurant-Farrar Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Bondurant-Farrar Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Bondurant-Farrar Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bondurant-Farrar Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bondurant-Farrar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 10, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Bondurant-Farrar Community School District:

Compliance

We have audited Bondurant-Farrar Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Bondurant-Farrar Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Bondurant-Farrar Community School District's management. Our responsibility is to express an opinion on Bondurant-Farrar Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bondurant-Farrar Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bondurant-Farrar Community School District's compliance with those requirements.

In our opinion, Bondurant-Farrar Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Bondurant-Farrar Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Bondurant-Farrar Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response, we did not audit Bondurant-Farrar Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
January 10, 2013

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 97.039 – Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bondurant-Farrar Community School District did not qualify as a low-risk auditee.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-12 Financial Reporting – During the audit, we identified material amounts of capital assets additions and adjustments not recorded in the District’s financial statements for the District’s business-type activities and Proprietary Fund, School Nutrition, which were not initially identified by district controls in place. Adjustments were subsequently made by the District to properly present these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets additions and adjustments are identified and properly presented in the District’s financial statements.

Response – We will implement procedures to avoid missing any capital asset transactions.

Conclusion – Response accepted.

II-B-12 Student Activities – We noted in our testing of fundraising activities in the Special Revenue, Student Activity Fund that no fundraiser reconciliation was prepared for an item we selected for testing. We also noted one fundraising activity which paid the vendor directly from fundraiser receipts. This circumvents the required Board approval process and understates revenue and expenditures.

Recommendation – The District has a requirement that all clubs participating in fundraising activities prepare a reconciliation of revenues to expenditures and other uses. They are also required to determine that a proper profit margin has been attained and account for any unused fundraiser inventory. This process protects the underlying assets and ensures that all fundraisers are proper and approved. This requirement should always be enforced by District management and consequences should be enacted for clubs not following the proper procedures. In addition, all fundraising revenues and expenditures should be properly recorded for fundraising activities to avoid circumvention of the Board approval process for all disbursements as required by Chapter 279.9 of the Code of Iowa and to avoid bypassing the budgeting process.

Response – The fund-raiser reconciliation problem mentioned above occurred in the first half of fiscal year 2012. Since then enhanced controls have been put in place with additional pre-requisite forms and education of club sponsors, including proper enforcement actions.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-C-12 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that 3 of 7 purchase orders tested from the Special Revenue, Activity Fund, were completed after the product had been ordered.

Recommendation – The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding encumbrance, which represents the amount as an obligation against the budget. When monitoring actual expenditures, it can be helpful to know the outstanding orders which will be subsequently paid. This allows the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response – All the purchase order problems mentioned above occurred in the first half of fiscal year 2012. We implemented control procedures to monitor and eliminate this issue during the second half of fiscal year 2012.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the instruction function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Looft, Board Member Owner of Tom’s Painting	Painting	\$2,190

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member do not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year.

IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	3,514,477
Revenues:			
Sales tax revenues	\$		1,122,862
Interest			1,076
School infrastructure supplemental amount		<u>770</u>	1,124,708
Expenditures/transfers out:			
Transfers to other funds:			
Other transfers			<u>2,627,000</u>
Ending balance		\$	<u><u>2,012,185</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-12 Financial Condition – The nonmajor Special Revenue Fund, Management Levy had a deficit unassigned fund balance of \$2,358 at June 30, 2012.

Recommendation – The District should investigate alternatives to return this fund to a sound financial condition.

Response – This deficit is the result of additional early retirement liabilities recorded this year. We will investigate ways to return this fund to a stable financial condition.

Conclusion – Response accepted.